

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS ROME 005453

SIPDIS

AIDAC

FROM U.S. MISSION IN ROME

USAID FOR DCHA/FFP LANDIS AND DRUMMOND
STATE FOR IO/EDA KOTOK
USMISSION GENEVA FOR USAID/KYLOH
USUN FOR TAMLYN

E.O. 12958: N/A

TAGS: [EAGD](#) [EAGR](#) [WFP](#) [UN](#)

SUBJECT: WFP Informal Consultation on the Business
Process Review

Summary

1. World Food Program (WFP) presented an "information note on the business process review," a document that describes a new business model for WFP, at a membership consultation in Rome on November 20, 2003. Seeking to improve the utilization of contributions and timeliness of relief aid, the new model generated lively discussion from member countries. US Mission and/or USAID/FFP representatives will ensure that future iterations of WFP's model maintain compatibility with US legislative requirements. End summary.

Background

2. WFP's decision to conduct a business process review is an outgrowth of several factors: the rapid growth in operations from US Dollar (USD) 1.4 billion in 1996 to USD 4 billion so far in 2003; increased directedness of contributions; introduction of information management technology, and its shift away from development to emergency and relief operations.

3. With regard to resource utilization, WFP's current practice is to assume a worst-case budgeting scenario. The process improvement aspect of the new model anticipates multiple scenarios, establishes a single cash account at the project level, provides for rapid reconciliation at project end, and streamlines transactions.

4. Since timely delivery of food aid is particularly critical in emergency situations, the financing aspect of the new model, if accepted, purports to make resources available to 20 percent more beneficiaries than currently served.

5. The November 2003 consultation follows the first consultation in September and provides a basis for further discussions about the new model among members at the February 2004 Board session, if not earlier.

Interventions

6. By and large, the interventions were positive. The Russian Federation was generally supportive; however, absent definitive information about the problematic idea of selling commodities to buy debt, its representative mused, "the devil is in the details." The Netherlands viewed the new model as being indicative of "donor weaknesses." The Dutch delegate also observed that it should be an easy decision to use contributions to reduce donor risk, and he also recited his familiar mantra, "if we were all cash donors, the problem would not exist." The UK proposed that under the new model donors should be given the opportunity of having excess funds returned, and it predicted that the Board would permit WFP to implement 80 to 90 percent of the proposed new business process model.

7. The US intervention endorsed the new business process model, agreeing that it will improve project resource utilization and solve the problem of managing to worst-case scenarios by managing multiple scenarios, a single cash account, and quarterly or more frequent financial reconciliation.

8. With regard to the financial model, like the UK, the US expressed some reservations. For example, WFP should be prepared to return unspent balances to donors if required or preferred. In addition, spending

against forecasted contributions is a good idea in principle, and consolidating account balances and

increasing the IRA are bold ideas. Nevertheless, the degree and size of the increases may need to be discussed further.

9. With regard to proposed risk reserve of 1 to 2 percent of each contribution, the US doubted whether the use of external financing over the establishment of enhanced internal reserves is justified. In addition, the 1 to 2 percent seems excessive, especially if you define a contribution as inclusive of the value of in-kind donations. USG gave an example of how much reserve funding WFP would have generated using the USG as only one donor based upon the level of donations in 2003. Lastly, the proposed sales of commodities to cover shortfalls would be viewed skeptically and would be counter to the direction of USG food aid programming of constraining the level of commodities that are sold.

10. WFP's new business model is expected to be refined as further donor discussions ensue. US Mission and/or USAID/FFP representatives will ensure that future iterations of WFP's model maintain compatibility with US legislative requirements.

Hall

NNNN

2003ROME05453 - Classification: UNCLASSIFIED